



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

January 23, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

DEPARTMENT OF HEALTH SERVICES HOSPITAL IMPROVEMENT FINANCING

This is a supplemental response to your Board's motion of September 13, 2005, which directed the Chief Administrative Office (CAO) and Department of Health Services (Department) to identify high priority capital and deferred maintenance needs at the Department's facilities and to provide financing recommendations for such identified needs. On September 16, 2005, the Department provided a list of \$774.3 million in unfunded capital and deferred maintenance needs to your Board, not including the LAC+USC Replacement Project, which is currently under construction. The list did include \$419.4 million in capital improvements that are under development or design. This report offers a financing plan that will:

- provide \$419.4 million in funding for the aforementioned projects and \$355.0 million to complete the funding of the LAC+USC Replacement Project, through the use of cash and short/long-term financing;
- minimize impacts on the Department's budget and avoid further exacerbation of its forecast deficit by deferring additional debt repayment obligations on the Department until 2011-12; and
- provide the County with an ongoing financing mechanism that will facilitate the funding of future emergent capital needs.

The proposed financing plan entails utilizing proceeds generated through the sale of a portion of the Tobacco Settlement Payments that the County currently expects to receive between 2012 and 2030, to redeem commercial paper that has been issued to fund construction of the LAC+USC Replacement Project. The proposed redemption will eliminate the need for a County bond issue to fund the project, replenish the capacity of

the County's commercial paper program, and provide interim financing for other priority projects.

Your Board's approval of the proposed financing plan will be requested in stages, commencing with the Treasurer and Tax Collector's recommendations on your January 24, 2006 agenda regarding the issuance and sale of Tobacco Settlement Asset-Backed Bonds. Implementation of the proposed plan will also require future approvals from your Board of individual short and long-term financing recommendations that will be presented in the future by the Treasurer and Tax Collector.

The proposed financing plan provides a feasible approach to financing the Department's immediate capital needs. Your Board's endorsement of the proposed financing plan does not, however, constitute an approval of the individual capital projects for which the plan is available to provide funding. Each project will still require your Board's approval to award and supplement design agreements and construction contracts in order to proceed. The proposed financing plan merely provides a funding mechanism for projects that your Board authorizes to proceed.

Project Funding Requirements

The capital needs identified in DHS' September 16, 2006 memorandum included \$419.4 million in projects that are either statutorily required, such as the seismic retrofit of acute care inpatient facilities, or have been identified as a high priority by the Department and essential to the ongoing provision of inpatient care. Each of the identified projects previously received conceptual approval by your Board and all are currently under development or design. These high-priority projects are identified in the table below.

Hospital	Project	Estimated Project Cost
Harbor/UCLA	Surgery/Emergency Room Project	\$137.0 million
High Desert	Multipurpose Ambulatory Care Center Conversion	74.0
Olive View	Emergency Room/Tuberculosis Unit	33.8
Harbor/UCLA	SB1953 Seismic Retrofit Program	41.0
MLK	SB1953 Seismic Retrofit Program	68.1
Olive View	SB1953 Seismic Retrofit Program	23.5
Rancho Los Amigos	SB1953 Seismic Retrofit Alternative	42.0
Total		\$419.4 million

The seismic retrofit projects are required under SB 1953 to be completed in 2008, although extensions may be obtained through 2013. Even with the extended deadline, however, retrofit activities must be phased to avoid concurrent operational impacts at the County's hospitals. Such phasing extends the construction period for the hospital system as a whole and given that design activities are nearly completed, it is crucial that construction proceed without deferral.

The Surgery/Emergency Room Project at Harbor/UCLA is in the final stages of plan review and is directly linked, in terms of design and function, to the seismic retrofit of the hospital's existing inpatient tower. The same linkage exists between the Emergency Room/Tuberculosis Unit Project and seismic retrofit requirements at Olive View, although the Emergency Room/Tuberculosis Unit Project is only in the schematic phase of design.

The conversion of the former High Desert Hospital to a Multipurpose Ambulatory Care Center (MACC) was previously approved by your Board in order to reduce the Department's ongoing operational costs. The configuration, condition, and location of the existing 180,000 square foot hospital building, however, are not compatible with the operational needs of a MACC, nor can it properly support its targeted service population. Based on a recent needs assessment prepared by the Department, construction of a new 120,000 square foot MACC facility is estimated to cost \$74.0 million. My office, with the assistance of the Department, is currently reviewing design options to determine if the functional and programmatic needs of the MACC can be met at a lower cost. We will report back to your Board with final recommendations at a future date.

The \$822.0 million LAC+USC Replacement Project was not included in DHS' September 16, 2005 report, since your Board previously approved construction and a funding plan for the project. Under the approved plan, the Federal Emergency Management Agency (FEMA) is providing \$467.0 million and the remaining \$355.0 million in project costs is being funded through the issuance of commercial paper and ultimately the issuance of long-term bonds.

Financing Parameters

The primary constraint on any proposed financing structure is the Department's projected budgetary deficit, which is estimated to increase from \$70.6 million in 2006-07 to \$1.2 billion in 2009-10. In order to provide sufficient funding for the \$419.4 million in projects that are currently under development and design and the \$355.0 million that will be necessary to complete the funding of the LAC+USC Replacement Project, and yet minimize the impact on the Department's budget, the desired financing structure must defer additional debt repayment obligations to a point in time where additional budgetary resources are available to the Department.

Our review of DHS' current debt profile revealed that the Department's annual debt payments will gradually decrease from \$153.4 million in 2005-06 to \$125.7 million in 2010-11. The Department's debt payments decrease dramatically, however, after 2010-11 to \$9.9 million in 2011-12, primarily due to the final maturity of Pension Obligation Bonds. Assuming the Department is able to address its budgetary deficit prior to 2011-12, the significant budgetary savings the Department will realize in that year will allow it to absorb additional debt repayment obligations with minimal impact to its budgetary position.

Current Capital Financing Plan

The current financing plan for the Department's capital improvements assumes a combination of cash and long-term bond financing to fully fund a project's costs. With respect to the LAC+USC Replacement Project, FEMA is providing \$467.0 million in funds, with the balance of the project's costs being funded initially through commercial paper proceeds. Under the current plan, the outstanding commercial paper would be redeemed through an issuance of long-term County bonds upon completion of the project in 2007.

The use of commercial paper allows the County to finance the project's construction costs at short-term interest rates rather than the higher rates associated with long-term bonds. It also eliminates the need to capitalize interest payments that would be payable to investors during the construction period, if long-term bonds were issued when the construction contract was awarded.

While this financing model has proven to be extremely cost effective with respect to the LAC+USC Replacement Project, it is now apparent that it cannot meet the timing and funding requirements of the other priority projects without impacting the Department's efforts to address its deficit.

The planned issuance of long-term bonds to redeem the commercial paper in 2007 will result in the commencement of an estimated \$22.8 million in annual debt service payments for the LAC+USC Replacement Project in 2008-09; three years before additional budgetary savings will become available to absorb the additional debt service.

The commitment of the commercial paper program's current capacity to the LAC+USC Replacement Project also leaves it unavailable for the Department's other high-priority projects. The unavailability of commercial paper, combined with the Department's lack of cash resources, will require the issuance of long-term bonds in early 2006-07 to provide sufficient funding for the other projects to proceed through design and construction. As a result of the early bond issuance, an estimated \$11.7 million in annual debt service payments for the other priority projects will begin in 2007-08.

Further, since none of the other \$419.4 million in priority projects have completed design, the immediate issuance of long-term bonds will require the capitalization of interest payments, which is estimated to increase overall debt service costs by \$93.7 million. Finally, we cannot be assured that the issuance of long-term bonds based on current project cost estimates rather than actual construction bids will provide sufficient proceeds to complete the projects, given the high escalation and volatility in construction costs over the past two years.

Proposed Financing Plan

In order to fund the redemption of the commercial paper outstanding on the LAC+USC Replacement Project and completion of the Department's other priority projects, while minimizing the impact on the Department's short-term fiscal position:

- new debt service obligations must be deferred to 2011-12, when the Department will realize additional budgetary resources due to the significant reduction in existing debt service obligations; and
- capacity in the commercial paper program must be made available to fund design and construction costs of the Department's other priority projects.

Use of the commercial paper program will provide a cost effective and liquid source of interim funding and negates the need to capitalize interest payments. More importantly, it will allow the County to defer the issuance of long-term bond issues to a time when the Department is better able to manage the additional debt service obligations.

In order to make the commercial paper program available, the \$275.0 million in commercial paper that is currently outstanding for LAC+USC Replacement Project must be redeemed. The proposed financing plan is based on the use of proceeds generated through the sale of a portion of the Tobacco Settlement Payments that the County currently expects to receive between 2012 and 2030 to redeem the outstanding commercial paper and will:

- eliminate the need for a long-term County bond issue for the LAC+USC Replacement Project and allow the Department to avoid an estimated \$22.8 million in annual debt service payments and \$572.1 million in overall debt service on the LAC+USC project;
- replenish the capacity of the County's commercial paper program and provide interim financing for other priority projects; and
- allow the deferral of annual debt service payments on long-term bonds for the other priority projects until 2011-12 and thus avoid impacting the Department's deficit reduction efforts.

The deferral of annual debt service payments under the proposed financing plan will also relieve the Department of an estimated \$108.9 million of financing costs between 2005-06 and 2010-11 that would be realized under the current financing plan. In addition to the added financial flexibility, we are estimating that the proposed financing plan will reduce overall financing costs related to the Department's capital program by \$35.2 million between now and 2037, when the long-term bonds will be fully matured.

Proposed Sale of Tobacco Settlement Payments

The Tobacco Settlement Payments that are being proposed for sale total \$650.0 million and would have been received between 2012 and 2030. The targeted payment stream represents only 25.9% of the total payments the County expects to receive, which reflects the percentage of the 2005-06 Tobacco Settlement Payments that have not been appropriated for the Department's purposes. Sale of this undesignated portion of the future payment stream will avoid any impact to the Department's current allocation level. Further, the targeted payment stream does not commence until 2012, so as not to diminish the resources available to the Department for its deficit reduction efforts.

The present value of the \$650.0 million in targeted payments is estimated at \$318.4 million. The Treasurer and Tax Collector currently estimates that \$285.0 million in net proceeds can be generated from the proposed sale. The difference of \$33.4 million between the estimated present value of the targeted revenue stream and the net proceeds obtained by the County reflects a reserve payment fund of \$28.1 million and financing costs of \$5.3 million.

Upon receipt of the \$285.0 million in net proceeds, the outstanding \$275.0 million in commercial paper will be redeemed. The remaining \$10.0 million in net proceeds will be utilized partially fund the \$70.0 million in construction costs remaining on the LAC+USC Replacement Project. The balance of the project's construction costs will be funded from the Department's Tobacco Designation.

Implementation Schedule

The Treasurer and Tax Collector has prepared recommendations regarding the sale of Tobacco Settlement Payments, as described above, for tomorrow's Board agenda. Approval of the Treasurer's recommendations will allow the sale of the targeted Tobacco Settlement Payments to proceed. The balance of the proposed financing plan will be presented to your Board for approval in the future. Your approval will represent a final approval of the Department's other priority projects. The Department of Public Works, along with my office and the Department will return to your Board with future recommendations regarding further development and implementation of such projects.

Exhibits: To assist with your review, the following exhibits have been attached for your information:

Exhibit I: Summary of Current and Proposed Financing Plans

- Provides a summary of debt service and other financing costs that are estimated under both financing plans. As indicated in this exhibit, the proposed financing plan is estimated to save \$35.2 million over the term of the proposed long-term bond sales versus the current financing plan.

Exhibit II: Comparison of Financing Options Over the Term of the Long-Term Bonds

- Provides an annual comparison of debt service and other financing costs that are estimated under both financing plans.

Exhibit III: Net Impact to Department of Health Services Budget

- Provides a comparison of new debt service and other financing costs against the budgetary savings the Department will realize from the scheduled reductions in existing debt service obligations.

Exhibit IV: Summary of New Debt Service Requirements: Current Financing Plan

- Provides an annual summary of new debt service costs that are anticipated under the current financing plan (including LAC+USC).

Exhibit V: Summary of New Debt Service Requirements: Proposed Financing Plan

- Provides an annual summary of new debt service costs that are anticipated under the proposed financing plan (without LAC+USC).

Exhibit VI: Summary of Other Financing Costs/(Savings): Current Financing Plan

- Provides an annual summary of other financing costs and savings associated with the current financing plan.

Exhibit VII: Summary of Other Financing Costs/(Savings): Proposed Financing Plan

- Provides an annual summary of other financing costs and savings associated with the proposed financing plan.

Exhibit VIII: Projection of Tobacco Settlement Payments and Proposed Allocation

- Provides a detail projection of currently anticipated Tobacco Settlement Payments and the proposed allocation to the Department and to securitization, with the net present value of the securitized payments.

I am available to discuss this further with you, or your staff may contact Jan Takata at (213) 974-1360.

Attachments

DEJ:SRH
JSE:DJT

Department of Health Services
Hospital Improvement Financing Plan
Comparison of Current and Proposed Financing Plans

Existing and New Costs		Current Financing Plan	Proposed Financing Plan	Cost/(Savings) Proposed Plan vs. Current Plan
I.	Existing Debt Service Over Remaining Term of the Bonds	856,466,596	856,466,596	0
II.	New Debt Service and Other Net Financing Costs			
A.	New Debt Service Over Full Term of the Bonds - See Exhibits IV and V			
	a. LAC+USC Replacement Project	572,126,000	0	(572,126,000)
	b. Harbor/UCLA Surgery/Emergency Room	169,502,000	137,070,885	(32,431,115)
	c. High Desert Multipurpose Ambulatory Care Center	137,503,000	122,704,342	(14,798,658)
	d. Olive View Emergency Room/Tuberculosis Unit	65,522,000	56,755,267	(8,766,733)
	e. SB 1953:			
	Harbor/UCLA	68,831,000	68,820,753	(10,247)
	Martin Luther King	114,337,000	114,327,654	(9,346)
	Olive View	45,375,000	39,453,192	(5,921,808)
	Rancho Los Amigos	177,137,000	145,408,788	(31,728,212)
	Subtotal	405,680,000	368,010,387	(37,669,613)
	Total New Debt Service	1,350,333,000	684,540,881	(665,792,119)
B.	Other Financing Costs or (Savings) - See Exhibits VI and VII			
	a. Interest Expense on Commercial Paper Draws	23,266,667	22,250,959	(1,015,708)
	b. Loss of Annual Tobacco Revenue	0	649,960,072	649,960,072
	c. Transfer from Tobacco Designation to Capital Project Budget	66,950,000	70,000,000	3,050,000
	d. Loss of Interest due to Transfer from Tobacco Designation	2,678,000	2,800,000	122,000
	e. Interest Revenue from Tobacco Bond Reserve Fund	0	(21,500,000)	(21,500,000)
	Total Other Financing Costs or (Savings)	92,894,667	723,511,031	630,616,364
	Total New Debt Service and Other Net Financing Costs	1,443,227,667	1,408,051,912	(35,175,755)
	Total Financial Impact on Department of Health Services Budget	2,299,694,263	2,264,518,508	(35,175,755)

Department of Health Services
Hospital Improvement Financing Plan
Comparison of Financing Options

CURRENT PLAN: Contribution of Cash from Tobacco Designation Issuance of Long-Term Bonds to Redeem LAC-USC Commercial Paper No Issuance of Tobacco Settlement Bonds						
Fiscal Year	Existing Debt Service	New Debt Service and Other Costs			Total New and Existing Cost to DHS Budget	
		Debt Service With Bond Issue for LAC-USC (1)	Other Financing Costs or (Savings) (2)	Subtotal New Cost to DHS Budget		
2005-06	153,433,528	0	31,590,667	31,590,667	185,024,195	
2006-07	148,413,586	0	38,476,000	38,476,000	186,889,586	
2007-08	147,474,747	2,473,000	6,292,000	8,765,000	156,239,747	
2008-09	111,356,095	34,554,000	9,776,000	44,330,000	155,686,095	
2009-10	121,383,902	34,553,000	6,760,000	41,313,000	162,696,902	
2010-11	125,730,697	38,841,000	0	38,841,000	164,571,697	
2011-12	9,949,754	52,591,000	0	52,591,000	62,540,754	
2012-13	9,259,222	56,071,000	0	56,071,000	65,330,222	
2013-14	9,258,950	56,071,000	0	56,071,000	65,329,950	
2014-15	8,757,192	56,071,000	0	56,071,000	64,828,192	
2015-16	7,824,482	56,071,000	0	56,071,000	63,895,482	
2016-17	3,624,441	56,071,000	0	56,071,000	59,695,441	
2017-18	0	56,071,000	0	56,071,000	56,071,000	
2018-19	0	56,071,000	0	56,071,000	56,071,000	
2019-20	0	56,071,000	0	56,071,000	56,071,000	
2020-21	0	56,071,000	0	56,071,000	56,071,000	
2021-22	0	52,571,000	0	52,571,000	52,571,000	
2022-23	0	52,571,000	0	52,571,000	52,571,000	
2023-24	0	52,571,000	0	52,571,000	52,571,000	
2024-25	0	52,571,000	0	52,571,000	52,571,000	
2025-26	0	52,571,000	0	52,571,000	52,571,000	
2026-27	0	52,571,000	0	52,571,000	52,571,000	
2027-28	0	52,571,000	0	52,571,000	52,571,000	
2028-29	0	52,571,000	0	52,571,000	52,571,000	
2029-30	0	52,571,000	0	52,571,000	52,571,000	
2030-31	0	52,571,000	0	52,571,000	52,571,000	
2031-32	0	52,571,000	0	52,571,000	52,571,000	
2032-33	0	49,741,000	0	49,741,000	49,741,000	
2033-34	0	18,018,000	0	18,018,000	18,018,000	
2034-35	0	18,018,000	0	18,018,000	18,018,000	
2035-36	0	13,317,000	0	13,317,000	13,317,000	
2036-37	0	5,307,000	0	5,307,000	5,307,000	
2037-38	0	0	0	0	0	
2038-39	0	0	0	0	0	
2039-40	0	0	0	0	0	
2040-41	0	0	0	0	0	
Total	856,466,596	1,350,333,000	92,894,667	1,443,227,667	2,299,694,263	

(1) See Detail in Exhibit IV
(2) See Detail in Exhibit VI
(3) See Detail in Exhibit V
(4) See Detail in Exhibit VII

PROPOSED PLAN Commercial Paper Redeemed by Issuance of Tobacco Settlement Bonds Contribution from Tobacco Designation Tobacco Bonds Issued for 25.9% of Tobacco Payments: 2011 to 2030						
Existing Debt Service	New Debt Service and Other Costs				Total New and Existing Cost to DHS Budget	
	Debt Service with No Bond Issue for LAC+USC (3)	Other Financing Costs or (Savings) (4)	Subtotal New Cost to DHS Budget			
153,433,528	0	25,500,000	25,500,000	178,933,528		
148,413,586	0	46,553,699	46,553,699	194,967,285		
147,474,747	0	1,416,294	1,416,294	148,891,041		
111,356,095	0	4,286,612	4,286,612	115,642,707		
121,383,902	0	7,466,825	7,466,825	128,850,727		
125,730,697	4,822,637	4,327,529	9,150,166	134,880,863		
9,949,754	19,084,157	29,256,222	48,340,379	58,290,133		
9,259,222	25,892,875	29,649,553	55,542,428	64,801,650		
9,258,950	29,081,293	30,047,998	59,129,291	68,388,241		
8,757,192	29,081,293	30,451,621	59,532,914	68,290,106		
7,824,482	29,081,293	30,860,492	59,941,785	67,766,267		
3,624,441	29,081,293	31,274,679	60,355,972	63,980,413		
0	29,081,293	31,694,250	60,775,543	60,775,543		
0	29,081,293	32,119,275	61,200,568	61,200,568		
0	29,081,293	32,549,826	61,631,119	61,631,119		
0	29,081,293	32,985,973	62,067,266	62,067,266		
0	27,491,293	33,427,791	60,919,084	60,919,084		
0	27,491,293	33,875,352	61,366,645	61,366,645		
0	27,491,293	34,328,732	61,820,025	61,820,025		
0	27,491,293	34,788,005	62,279,298	62,279,298		
0	27,491,293	35,680,000	63,171,293	63,171,293		
0	27,491,293	36,163,519	63,654,812	63,654,812		
0	27,491,293	37,758,519	65,249,812	65,249,812		
0	27,491,293	38,266,667	65,757,960	65,757,960		
0	27,491,293	38,781,598	66,272,891	66,272,891		
0	27,491,293	0	27,491,293	27,491,293		
0	27,491,293	0	27,491,293	27,491,293		
0	27,491,293	0	27,491,293	27,491,293		
0	27,491,293	0	27,491,293	27,491,293		
0	12,512,170	0	12,512,170	12,512,170		
0	4,700,596	0	4,700,596	4,700,596		
0	0	0	0	0		
0	0	0	0	0		
0	0	0	0	0		
0	0	0	0	0		
0	0	0	0	0		
856,466,596	684,540,881	723,511,031	1,408,051,912	2,264,518,508		

Fiscal Year	Cost/(Savings)	Proposed Plan vs. Current Plan
2005-06	(6,090,667)	
2006-07	8,077,899	
2007-08	(7,348,706)	
2008-09	(40,043,388)	
2009-10	(33,846,175)	
2010-11	(29,690,834)	
2011-12	(4,250,621)	
2012-13	(528,572)	
2013-14	3,058,291	
2014-15	3,461,914	
2015-16	3,870,785	
2016-17	4,284,972	
2017-18	4,704,543	
2018-19	5,129,568	
2019-20	5,560,119	
2020-21	5,996,266	
2021-22	8,348,084	
2022-23	8,795,645	
2023-24	9,249,025	
2024-25	9,708,298	
2025-26	10,600,293	
2026-27	11,083,812	
2027-28	12,678,812	
2028-29	13,186,960	
2029-30	13,701,891	
2030-31	(25,079,707)	
2031-32	(25,079,707)	
2032-33	(22,249,707)	
2033-34	9,473,293	
2034-35	9,473,293	
2035-36	(804,830)	
2036-37	(608,404)	
2037-38	0	
2038-39	0	
2039-40	0	
2040-41	0	
Total	(35,175,755)	

[illegible]

PROJECTED NEW DEBT SERVICE UNDER CURRENT FUNDING PLAN: COUNTY BOND ISSUE TO REDEEM LAC+USC COMMERCIAL PAPER										
Fiscal Year	New Hospital Facilities				SB 1953 Seismic Retrofit Projects				Total New Debt Service	
	LAC+USC Rep. Hospital	Harbor/UCLA Surg./ER	High Desert MACC	Olive View ERTB	Harbor/UCLA SB1953	MLK SB1953	Olive View SB1953	Rancho JPI Consolidation		Subtotal SB1953
2005-06	0	0	0	0	0	0	0	0	0	
2006-07	0	0	0	0	0	0	0	0	0	
2007-08	0	0	0	0	911,000	0	0	1,562,000	2,473,000	
2008-09	22,886,000	0	0	0	2,830,000	0	1,815,000	7,023,000	11,668,000	
2009-10	22,885,000	0	0	0	2,830,000	0	1,815,000	7,023,000	11,668,000	
2010-11	22,885,000	0	0	0	2,830,000	1,513,000	1,815,000	7,023,000	13,181,000	
2011-12	22,885,000	5,327,000	5,425,000	897,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2012-13	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2013-14	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2014-15	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2015-16	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2016-17	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2017-18	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2018-19	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2019-20	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2020-21	22,885,000	8,807,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2021-22	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2022-23	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2023-24	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2024-25	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2025-26	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2026-27	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2027-28	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2028-29	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2029-30	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2030-31	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2031-32	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2032-33	22,885,000	5,307,000	5,425,000	2,585,000	2,830,000	4,701,000	1,815,000	7,023,000	16,369,000	
2033-34	0	5,307,000	5,425,000	2,585,000	0	4,701,000	0	0	13,539,000	
2034-35	0	5,307,000	5,425,000	2,585,000	0	4,701,000	0	0	18,018,000	
2035-36	0	5,307,000	5,425,000	2,585,000	0	4,701,000	0	0	18,018,000	
2036-37	0	5,307,000	0	0	0	0	0	0	5,307,000	
2037-38	0	0	0	0	0	0	0	0	0	
2038-39	0	0	0	0	0	0	0	0	0	
2039-40	0	0	0	0	0	0	0	0	0	
Total	572,126,000	169,502,000	137,503,000	65,522,000	68,831,000	114,337,000	45,375,000	177,137,000	405,680,000	
									1,350,333,000	

Department of Health Services
Summary of Projected Debt Service Requirements
Proposed Financing Plan: Assumes Issuance of Tobacco Bonds to Redeem Commercial Paper with No Bond Issuance for LAC+USC Replacement Project

PROJECTED NEW DEBT SERVICE (Assuming No Bond Issuance for LAC+USC Replacement Project)											
New Hospital Facilities				SB 1953 Seismic Retrofit Projects					Total New Debt Service		
LAC+USC Rep. Hospital	Harbor/UCLA Surg./ER	High Desert MACC	Olive View ER/TB	Harbor/UCLA SB1953	MLK SB1953	Olive View SB1953	Rancho JPI Consolidation	Subtotal SB1953			
2005-06	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	1,624,342	751,267	0	0	522,240	1,924,788	2,447,028	4,822,637	4,822,637	4,822,637
2011-12	0	5,045,000	2,333,500	910,977	0	1,622,123	5,978,500	8,511,600	19,084,157	19,084,157	19,084,157
2012-13	0	5,045,000	2,333,500	2,829,574	1,513,350	1,622,123	5,978,500	11,943,547	25,892,875	25,892,875	25,892,875
2013-14	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2014-15	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2015-16	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2016-17	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2017-18	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2018-19	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2019-20	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2020-21	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2021-22	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2022-23	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2023-24	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2024-25	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2025-26	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2026-27	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2027-28	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2028-29	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2029-30	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2030-31	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2031-32	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2032-33	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2033-34	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2034-35	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2035-36	0	5,045,000	2,333,500	2,829,574	4,700,596	1,622,123	5,978,500	15,130,793	29,081,293	29,081,293	29,081,293
2036-37	0	0	0	0	4,700,596	0	0	7,530,170	12,512,170	12,512,170	12,512,170
2037-38	0	0	0	0	4,700,596	0	0	4,700,596	4,700,596	4,700,596	4,700,596
2038-39	0	0	0	0	0	0	0	0	0	0	0
2039-40	0	0	0	0	0	0	0	0	0	0	0
Total	0	137,070,885	122,704,342	56,755,267	68,820,753	114,327,654	39,453,192	145,408,788	368,010,387	684,540,881	684,540,881

Department of Health Services
Hospital Improvement Financing Plan
Other Financing Costs or (Savings): Current Financing Plan

Fiscal Year	Interest Expense on Comm. Paper Draws	Cost of Tobacco Revenue Loss	Cost of Transfer from Tobacco Designation	Interest Loss Due to Transfer from Tobacco Desig.	Interest Revenue from Tobacco Bond Reserve Fund	Total
2005-06	3,666,667	0	26,850,000	1,074,000	0	31,590,667
2006-07	19,600,000	0	18,150,000	726,000	0	38,476,000
2007-08	0	0	6,050,000	242,000	0	6,292,000
2008-09	0	0	9,400,000	376,000	0	9,776,000
2009-10	0	0	6,500,000	260,000	0	6,760,000
2010-11	0	0	0	0	0	0
2011-12	0	0	0	0	0	0
2012-13	0	0	0	0	0	0
2013-14	0	0	0	0	0	0
2014-15	0	0	0	0	0	0
2015-16	0	0	0	0	0	0
2016-17	0	0	0	0	0	0
2017-18	0	0	0	0	0	0
2018-19	0	0	0	0	0	0
2019-20	0	0	0	0	0	0
2020-21	0	0	0	0	0	0
2021-22	0	0	0	0	0	0
2022-23	0	0	0	0	0	0
2023-24	0	0	0	0	0	0
2024-25	0	0	0	0	0	0
2025-26	0	0	0	0	0	0
2026-27	0	0	0	0	0	0
2027-28	0	0	0	0	0	0
2028-29	0	0	0	0	0	0
2029-30	0	0	0	0	0	0
2030-31	0	0	0	0	0	0
2031-32	0	0	0	0	0	0
2032-33	0	0	0	0	0	0
2033-34	0	0	0	0	0	0
2034-35	0	0	0	0	0	0
2035-36	0	0	0	0	0	0
2036-37	0	0	0	0	0	0
2037-38	0	0	0	0	0	0
2038-39	0	0	0	0	0	0
2039-40	0	0	0	0	0	0
2040-41	0	0	0	0	0	0
Total	23,266,667	0	66,950,000	2,678,000	0	92,894,667

Department of Health Services
Hospital Improvement Financing Plan
Other Financing Costs or (Savings): Proposed Financing Plan

Fiscal Year	Interest Expense on Comm. Paper Draws	Cost of Tobacco Revenue Loss	Cost of Transfer from Tobacco Designation	Interest Loss Due to Transfer from Tobacco Desig.	Interest Revenue from Tobacco Bond Reserve Fund	Total
2005-06	0	0	25,000,000	1,000,000	(500,000)	25,500,000
2006-07	753,699	0	45,000,000	1,800,000	(1,000,000)	46,553,699
2007-08	2,416,294	0	0	0	(1,000,000)	1,416,294
2008-09	5,286,612	0	0	0	(1,000,000)	4,286,612
2009-10	8,466,825	0	0	0	(1,000,000)	7,466,825
2010-11	5,327,529	0	0	0	(1,000,000)	4,327,529
2011-12	0	30,256,222	0	0	(1,000,000)	29,256,222
2012-13	0	30,649,553	0	0	(1,000,000)	29,649,553
2013-14	0	31,047,998	0	0	(1,000,000)	30,047,998
2014-15	0	31,451,621	0	0	(1,000,000)	30,451,621
2015-16	0	31,860,492	0	0	(1,000,000)	30,860,492
2016-17	0	32,274,679	0	0	(1,000,000)	31,274,679
2017-18	0	32,694,250	0	0	(1,000,000)	31,694,250
2018-19	0	33,119,275	0	0	(1,000,000)	32,119,275
2019-20	0	33,549,826	0	0	(1,000,000)	32,549,826
2020-21	0	33,985,973	0	0	(1,000,000)	32,985,973
2021-22	0	34,427,791	0	0	(1,000,000)	33,427,791
2022-23	0	34,875,352	0	0	(1,000,000)	33,875,352
2023-24	0	35,328,732	0	0	(1,000,000)	34,328,732
2024-25	0	35,788,005	0	0	(1,000,000)	34,788,005
2025-26	0	36,680,000	0	0	(1,000,000)	35,680,000
2026-27	0	37,163,519	0	0	(1,000,000)	36,163,519
2027-28	0	37,758,519	0	0	0	37,758,519
2028-29	0	38,266,667	0	0	0	38,266,667
2029-30	0	38,781,598	0	0	0	38,781,598
2030-31	0	0	0	0	0	0
2031-32	0	0	0	0	0	0
2032-33	0	0	0	0	0	0
2033-34	0	0	0	0	0	0
2034-35	0	0	0	0	0	0
2035-36	0	0	0	0	0	0
2036-37	0	0	0	0	0	0
2037-38	0	0	0	0	0	0
2038-39	0	0	0	0	0	0
2039-40	0	0	0	0	0	0
2040-41	0	0	0	0	0	0
Total	22,250,959	649,960,072	70,000,000	2,800,000	(21,500,000)	723,511,031

Department of Health Services
Projection of Tobacco Settlement Payment Allocation
Proposed Financing Plan

Fiscal Year	Projected Tobacco Settlement Payments	Tobacco Settlement Payments to DHS Budget	Tobacco Settlement Pymnts Proposed for Securitization	Present Value of Securitized Tobacco Settlement Pymts	Fiscal Year
2005-06	108,000,000	108,000,000	0	0	2005-06
2006-07	109,404,000	109,404,000	0	0	2006-07
2007-08	110,826,252	110,826,252	0	0	2007-08
2008-09	112,266,993	112,266,993	0	0	2008-09
2009-10	113,726,464	113,726,464	0	0	2009-10
2010-11	115,204,908	115,204,908	0	0	2010-11
2011-12	116,702,572	86,446,350	30,256,222	22,553,287	2011-12
2012-13	118,219,705	87,570,152	30,649,553	21,769,037	2012-13
2013-14	119,756,562	88,708,564	31,047,998	21,012,058	2013-14
2014-15	121,313,397	89,861,776	31,451,621	20,281,401	2014-15
2015-16	122,890,471	91,029,979	31,860,492	19,576,152	2015-16
2016-17	124,488,047	92,213,368	32,274,679	18,895,426	2016-17
2017-18	126,106,392	93,412,142	32,694,250	18,238,372	2017-18
2018-19	127,745,775	94,626,500	33,119,275	17,604,165	2018-19
2019-20	129,406,470	95,856,644	33,549,826	16,992,012	2019-20
2020-21	131,088,754	97,102,781	33,985,973	16,401,145	2020-21
2021-22	132,792,908	98,365,117	34,427,791	15,830,825	2021-22
2022-23	134,519,216	99,643,864	34,875,352	15,280,336	2022-23
2023-24	136,267,966	100,939,234	35,328,732	14,748,990	2023-24
2024-25	138,039,449	102,251,444	35,788,005	14,236,120	2024-25
2025-26	141,480,000	104,800,000	36,680,000	13,902,836	2025-26
2026-27	143,345,000	106,181,481	37,163,519	13,421,802	2026-27
2027-28	145,640,000	107,881,481	37,758,519	12,993,581	2027-28
2028-29	147,600,000	109,333,333	38,266,667	12,547,421	2028-29
2029-30	149,586,163	110,804,565	38,781,598	12,116,563	2029-30
2030-31	151,595,000	151,595,000	0	0	2030-31
2031-32	148,470,000	148,470,000	0	0	2031-32
2032-33	150,447,604	150,447,604	0	0	2032-33
2033-34	152,449,177	152,449,177	0	0	2033-34
2034-35	154,450,000	154,450,000	0	0	2034-35
2035-36	156,201,119	156,201,119	0	0	2035-36
2036-37	158,195,000	158,195,000	0	0	2036-37
2037-38	160,245,000	160,245,000	0	0	2037-38
2038-39	162,370,000	162,370,000	0	0	2038-39
2039-40	164,370,000	164,370,000	0	0	2039-40
2040-41	166,370,000	166,370,000	0	0	2040-41
Total	4,901,580,364	4,251,620,293	649,960,071	318,401,529	Total